

WHITE PIGEON COMMUNITY SCHOOLS

FINANCIAL REPORT  
WITH SUPPLEMENTAL INFORMATION

JUNE 30, 2008

## White Pigeon Community Schools

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## INDEPENDENT AUDITOR'S REPORT

Board of Education

White Pigeon Community Schools, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of White Pigeon Community Schools, as of and for the year ended June 30, 2008, which collectively comprise the School District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of White Pigeon Community Schools' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of White Pigeon Community Schools as of June 30, 2008, and the respective changes in financial position, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Donald L. Paulsen, CPA

Patrick J. Monahan, CPA

Bruce S. A. Gosling, CPA

Michael R. Wilson, CPA

Rick L. Strawser, CPA

Jerrell T. Norman (1941-1982)

Board of Education  
White Pigeon Community Schools

The administration's discussion and analysis and budgetary comparison schedule, as identified in the table of contents, are not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise White Pigeon Community Schools basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2008, on our consideration of White Pigeon Community School's internal control over financial reporting and on our tests of it's compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Norman A. Paulsen, P.C.*

October 29, 2008

WHITE PIGEON COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS  
YEAR ENDED June 30, 2008

This section of White Pigeon Community Schools' annual financial report presents our discussion and analysis of the School District's financial performance during the year ended June 30, 2008. Please read it in conjunction with the School District's financial statements, which immediately follow this section.

**Using this Annual Report**

This annual report consists of a series of financial statements and notes to those statements. These statements are organized so the reader can understand White Pigeon Community Schools financially as a whole. The *District-wide Financial Statements* provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. The fund financial statements provide the next level of detail. For governmental activities, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements look at the School District's operations in more detail than the district-wide financial statements by providing information about the School District's most significant funds - the General Fund, the Capital Projects Fund, and the Sinking Fund with all other funds presented in one column as nonmajor funds. The remaining statement, the statement of fiduciary net assets, presents financial information about activities for which the School District acts solely as an agent for the benefit of students and parents.

*Management's Discussion and Analysis (MD&A)*  
*(Required Supplemental Information)*

**Basic Financial Statements**

*District-wide Financial Statements      Fund Financial Statements*

*Notes to the Basic Financial Statement*

*(Required Supplemental Information)*

*Budgetary Information for the General Fund and Major Special Revenue Funds*

*Other Supplemental Information*

**Reporting the School District as a whole - District-wide Financial Statements**

One of the most important questions asked about the School District is, "As a whole, what is the School District's financial condition as a result of the year's activities?" The statement of net assets and the statement of activities, which appear first in the School District's financial statements, report information on the School District as a whole and its activities in a way that helps you answer this question. We prepare these statements to include all assets and liabilities, using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

## WHITE PIGEON COMMUNITY SCHOOLS

### ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued) YEAR ENDED June 30, 2008

These two statements report the School District's net assets - the difference between assets and liabilities, as reported in the statement of net assets - as one way to measure the School District's financial health or financial position. Over time, increases or decreases in the School District's net assets - as reported in the statement of activities - are indicators of whether its financial health is improving or deteriorating. The relationship between revenues and expenses is the School District's operating results. However, the School District's goal is to provide services to our students, not to generate profits as commercial entities do. One must consider many other nonfinancial factors, such as the quality of the education provided and the safety of the schools, to assess the overall health of the School District.

The statement of net assets and statement of activities report the governmental activities for the School District, which encompass all of the School District's services, including instruction, supporting services, community services, athletics, and food services. Property taxes, unrestricted State Aid (foundation allowance revenue), and State and federal grants finance most of these activities.

#### **Reporting the School District's Most Significant Funds - Fund Financial Statements**

The School District's fund financial statements provide detailed information about the most significant funds - not the School District as a whole. Some funds are required to be established by State law and by bond covenants. However, the School District establishes many other funds to help it control and manage money for particular purposes or to show that it's meeting legal responsibilities for using certain taxes, grants, and other money. The governmental funds of the School District use the following accounting approach:

Governmental funds - All of the School District's services are reported in governmental funds. Governmental fund reporting focuses on showing how money flows into and out of funds and the balances left at year end that are available for spending. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the operations of the School District and the services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the School District's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net assets and the statement of activities) and governmental funds in a reconciliation.

WHITE PIGEON COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)  
YEAR ENDED June 30, 2008

**The School District as Trustee - Reporting the School District's Fiduciary Responsibilities**

The School District is the trustee, or fiduciary, for its student activity funds. All of the School District's fiduciary activities are reported in separate statements of fiduciary net assets. We exclude these activities from the School District's other financial statements because the School District cannot use these assets to finance its operations. The School District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

**The School District as a Whole**

Recall that the statement of net assets provides the perspective of the School District as a whole. Table I provides a summary of the School District's net assets as of June 30, 2008 and 2007:

TABLE I	June 30, <u>2008</u>	<u>2007</u>
Assets		
Current and other assets	\$ 5,656,489	\$ 1,664,790
Capital assets and bond fees - Net of accumulated depreciation/amortization	<u>3,657,771</u>	<u>1,665,123</u>
Total assets	9,314,260	3,329,913
Liabilities		
Current liabilities	2,462,271	950,466
Long-term liabilities	<u>4,230,743</u>	<u>91,994</u>
Total liabilities	6,693,014	1,042,460
Net Assets		
Invested in property and equipment - net of related debt	983,953	1,592,557
Restricted for debt service	797,155	-
Unrestricted	<u>840,138</u>	<u>694,896</u>
Total net assets	<u>\$ 2,621,246</u>	<u>\$ 2,287,453</u>



WHITE PIGEON COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)  
YEAR ENDED June 30, 2008

The above analysis focuses on the net assets (see Table I). The change in net assets (see Table 2) of the School District's governmental activities is discussed below. The School District's net assets were \$2,621,246 at June 30, 2008. Capital assets, net of related debt totaling \$983,953 compares the original cost, less depreciation of the School District's capital assets to long-term debt. Most of the debt will be repaid from voter-approved property taxes collected as the debt service comes due. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School District's ability to use those net assets for day-to-day operations. The remaining amount of net assets \$840,138 was unrestricted.

The \$840,138 in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. The operating results of the General Fund will have a significant impact on the change in unrestricted net assets from year to year.

The results of this year's operations for the School District as a whole are reported in the statement of activities (see Table 2), which shows the changes in net assets for fiscal years ended June 30, 2008 and 2007.

TABLE 2

	June 30,	
	2008	2007
Revenue		
Program revenue:		
Charges for services	\$ 274,201	\$ 278,993
Grants and catagoricals	1,057,296	1,090,945
General revenue:		
Property taxes	2,883,687	1,971,199
State foundation allowance	4,002,642	3,945,336
Interest and other	<u>86,693</u>	<u>154,517</u>
Total revenue	8,304,519	7,440,990
<b>Function/Program Expenses</b>		
Instruction	4,640,038	4,629,306
Support services	2,558,461	2,317,217
Food services	322,379	330,452
Athletics	173,642	182,260
Community services	51,323	47,895
Interest on long-term debt	10,200	-
Depreciation (unallocated)	<u>214,683</u>	<u>216,859</u>
Total expenses	<u>7,970,726</u>	<u>7,723,989</u>
Change in net assets	<u>\$ 333,793</u>	<u>\$ (282,999)</u>

## WHITE PIGEON COMMUNITY SCHOOLS

### ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued) YEAR ENDED June 30, 2008

As reported in the statement of activities, the cost of all governmental activities this year was \$7,970,726. Certain activities were partially funded from those who benefited from the programs \$(274,201) or by other governments and organizations that subsidized certain programs with grants and categoricals \$(1,057,296). We paid for the remaining "public benefit" portion of our governmental activities with \$2,883,687 in taxes, \$4,002,642 is State foundation Allowance, and with our other revenues, such as interest and general entitlements.

The School District experienced an increase in net assets of \$333,793. Key reasons for the change in net assets were capitalizable expenditures and the repayment of bond principal and other long-term liabilities. The decrease in net assets differs from the change in fund balance and a reconciliation appears on page 15.

As discussed above, the net cost shows the financial burden that was placed on the State and the School District's taxpayers by each of these functions. Since property taxes for operations and unrestricted State aid constitute the vast majority of School District operating revenue sources, the Board of Education and Administration must annually evaluate the needs of the School District and balance those needs with State-prescribed available unrestricted sources.

#### **The School District's Funds**

As we noted earlier, the School District uses funds to help it control and manage money for particular purposes. Looking at funds helps the reader consider whether the School District is being accountable for the resources taxpayers and others provide to it and may provide more insight into the School District's overall financial health.

As the School District completed this year, the governmental funds reported a combined fund balance of \$3,499,617, which is an increase of \$2,770,189 from last year. In the General Fund, our principal operating fund, the fund balance increased \$132,735 to \$852,789. The General Fund fund balance has been reserved for prepaids and inventories - \$30,916; designated for future projects - \$196,659; and undesignated - \$625,214.

In the Capital Projects Fund the fund balance increased from \$-0- to \$1,824,248. This was the result of a \$4,429,000 bond issue less bond costs and construction in progress costs incurred through June 30, 2008. In the Sinking Fund the fund balance increased from \$-0- to \$807,355. This was the result of a voter approved Sinking Fund millage which will be used to make the bond principle and interest payments.

Our Athletics Fund is maintained at a zero fund balance and is supported by transfers of \$148,806 from the General Fund.

The Food Service Fund experienced an increase in fund balance of \$5,851.

WHITE PIGEON COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)  
YEAR ENDED June 30, 2008

**General Fund Budgetary Highlights**

Over the course of the year, the School District revises its budget as it attempts to deal with changes in revenues and expenditures. State law requires that the budget be amended to ensure that expenditures do not exceed appropriations. A schedule showing the School District's original and final budget amounts compared with amounts actually paid and received is provided in required supplemental information of these financial statements. Changes to the General Fund original budget were as follows:

Budgeted revenues were increased \$346,223, to better reflect state per student foundation funding and adjustments to categorical funding. Actual revenues were within \$28,847 of final budgeted revenues or 0.4 percent.

Budgeted expenditures were increased by \$36,585. Actual expenditures ended the year under the final budget by \$171,620 or 2.4 percent.

**Capital Asset and Debt Administration**

Capital Assets

At June 30, 2008, the School District had \$7,356,929 invested in a broad range of capital assets, including land, buildings, furniture, and equipment. This amount represents a net increase (including additions and disposals) of \$2,006,626 from last year. The majority of this increase was funded out of the Capital Projects Fund.

	<u>2008</u>	<u>2007</u>
Land	\$ 81,600	\$ 81,600
Buildings and improvements	3,658,970	3,658,970
Buses and other vehicles	840,432	838,932
Furniture and equipment	851,679	770,801
Construction in progress	<u>1,924,248</u>	<u>-</u>
Total capital assets	7,356,929	5,350,303
Less accumulated depreciation	<u>3,899,863</u>	<u>3,685,180</u>
Net capital assets	<u>\$ 3,457,066</u>	<u>\$ 1,665,123</u>

WHITE PIGEON COMMUNITY SCHOOLS

ADMINISTRATION'S DISCUSSION AND ANALYSIS - (Continued)  
YEAR ENDED June 30, 2008

Debt

At the end of this year, the School District had long-term debt obligations totaling \$4,525,942 outstanding versus \$107,098 in the previous year - a net increase of \$4,418,844. This was primarily the result of issuance of \$4,429,000 in Qualified Zone Academy Bonds for building renovation projects. The debt obligations consisted of the following:

	<u>2008</u>	<u>2007</u>
General Obligation Bonds	\$ 4,463,066	\$ 34,066
Notes payable	35,000	38,500
Severance pay agreements/ compensated absences	<u>27,876</u>	<u>34,532</u>
	<u>\$ 4,525,942</u>	<u>\$ 107,098</u>

The School District's General Obligation Bond rating continues to be equivalent to the State's credit rating. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within the School District's boundaries. If the School District issues "qualified debt," i.e., debt backed by the State of Michigan, such obligations are not subject to this debt limit. The School District's outstanding unqualified general obligation debt is significantly below the statutorily imposed limit.

**Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

The financial status of the State of Michigan may result in future Executive Order Cuts from the Governor.

Increases in the employer contribution to the Michigan Public School Employees Retirement System, as well as increased premiums for health insurance will significantly affect the District's finances.

Increases in heating fuel costs and transportation fuel costs.

**Contacting the School District's Financial Management**

This financial report is designed to provide the School District's citizens, taxpayers, customers, and investors and creditors with a general overview of the School District's finances and to demonstrate the School District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Business Department, 410 E. Prairie Street, White Pigeon, MI 49099.

WHITE PIGEON COMMUNITY SCHOOLS

STATEMENT OF NET ASSETS  
JUNE 30, 2008

	<u>Governmental Activities</u>
<u>ASSETS</u>	
Current Assets:	
Cash and cash equivalents	\$ 4,670,685
Accounts receivable	25,759
Due from other governmental units	924,845
Inventories	18,837
Prepaid expenses	<u>16,363</u>
Total current assets	5,656,489
Noncurrent Assets:	
Capital assets	7,356,929
Less: accumulated depreciation	<u>3,899,863</u>
Net capital assets	3,457,066
Capitalized bond fees	203,012
Less: accumulated amortization	<u>2,307</u>
Net capitalized bond fees	<u>200,705</u>
Total noncurrent assets	<u>3,657,771</u>
Total assets	9,314,260
<u>LIABILITIES</u>	
Current Liabilities:	
Short-term note payable	1,200,000
Accounts payable	156,653
Accrued payroll	494,156
Accrued benefits	243,882
Accrued interest	54,360
Deferred revenue	18,021
Notes payable, due within one year	3,500
Bonds payable, due within one year	276,626
Other obligations	<u>15,073</u>
Total current liabilities	2,462,271
Noncurrent Liabilities:	
Other obligations	12,803
Notes payable	31,500
Bonds payable	<u>4,186,440</u>
Total noncurrent liabilities	<u>4,230,743</u>
Total liabilities	6,693,014
<u>NET ASSETS</u>	
Invested in capital assets, net of related debt	983,953
Restricted for debt service	797,155
Unrestricted	<u>840,138</u>
Total net assets	<u>\$ 2,621,246</u>

See Notes to Financial Statements

WHITE PIGEON COMMUNITY SCHOOLS

STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008

		<u>Program Revenues</u>		<u>Governmental Activities</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants/ Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Functions/Programs				
Governmental activities:				
Instruction	\$ 4,640,038	\$ 95,185	\$ 703,245	\$ (3,841,608)
Support services	2,558,461	42,030	75,570	(2,440,861)
Food services	322,379	89,945	238,285	5,851
Athletics	173,642	24,836	-	(148,806)
Community services	51,323	22,205	40,196	11,078
Interest on long-term debt	10,200	-	-	(10,200)
Depreciation (unallocated)	<u>214,683</u>	<u>-</u>	<u>-</u>	<u>(214,683)</u>
Total Governmental activities	<u>\$ 7,970,726</u>	<u>\$ 274,201</u>	<u>\$ 1,057,296</u>	(6,639,229)
General revenues:				
Taxes				
Property taxes, levied for general operations				2,080,567
Property taxes, levied for Sinking Fund - debt service				803,120
State aid not restricted to specific purposes				4,002,642
Interest and investment earnings				46,124
Other				<u>40,569</u>
Total general revenues				<u>6,973,022</u>
Change in Net Assets				333,793
Net Assets - Beginning of year				<u>2,287,453</u>
Net Assets - End of year				<u>\$ 2,621,246</u>

See Notes to Financial Statements

WHITE PIGEON COMMUNITY SCHOOLS

GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2008

	<u>General</u>	<u>QZAB Capital Projects</u>	<u>Sinking Fund</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 1,949,736	\$ 1,924,248	\$ 795,821
Accounts receivable	14,128	-	11,193
Due from other governmental units	918,204	-	-
Due from other funds	-	-	341
Inventories	14,553	-	-
Prepaid expenditures	<u>16,363</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 2,912,984</u>	<u>\$ 1,924,248</u>	<u>\$ 807,355</u>
<u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Short-term note payable	\$ 1,200,000	\$ -	\$ -
Accrued interest	44,160	-	-
Accounts payable	52,599	100,000	-
Accrued payroll	493,336	-	-
Accrued benefits	243,682	-	-
Due to other funds	8,397	-	-
Deferred revenue	<u>18,021</u>	<u>-</u>	<u>-</u>
Total liabilities	2,060,195	100,000	-
Fund Balances:			
Reserved:			
Prepaid expenditures	16,363	-	-
Inventories	14,553	-	-
Capital projects	-	1,824,248	-
Debt service	-	-	807,355
Unreserved:			
Designated for future projects	196,659	-	-
Undesignated	<u>625,214</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>852,789</u>	<u>1,824,248</u>	<u>807,355</u>
Total liabilities and fund balances	<u>\$ 2,912,984</u>	<u>\$ 1,924,248</u>	<u>\$ 807,355</u>

See Notes to Financial Statements

Other Nonmajor Governmental Fund	Total
\$ 880	\$ 4,670,685
438	25,759
6,641	924,845
8,056	8,397
4,284	18,837
<u>-</u>	<u>16,363</u>
<u>\$ 20,299</u>	<u>\$ 5,664,886</u>

\$ -	\$ 1,200,000
-	44,160
4,054	156,653
820	494,156
200	243,882
-	8,397
<u>-</u>	<u>18,021</u>
5,074	2,165,269

-	16,363
4,284	18,837
-	1,824,248
-	807,355
-	196,659
<u>10,941</u>	<u>636,155</u>
<u>15,225</u>	<u>3,499,617</u>
<u>\$ 20,299</u>	<u>\$ 5,664,886</u>



WHITE PIGEON COMMUNITY SCHOOLS

GOVERNMENTAL FUNDS  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2008

Total Fund Balances - Governmental Funds \$ 3,499,617

Amounts reported for governmental activities in the  
statement of net assets are different because:

Capital assets used in governmental activities are not  
financial resources and are not reported in the funds.

The cost of the capital assets is 7,356,929

Accumulated depreciation is (3,899,863)

Total 3,457,066

Bond issuance costs are not included as an asset in  
governmental activities, net of amortization 200,705

Long-term liabilities are not due and payable in the  
current period and are not reported in the funds:

Other obligations (27,876)

Notes payable (35,000)

Bonds payable (4,463,066)

Accrued interest payable on long-term liabilities is not  
included as a liability in governmental activities (10,200)

Net assets of governmental activities \$ 2,621,246

See Notes to Financial Statements

WHITE PIGEON COMMUNITY SCHOOLS

GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
YEAR ENDED June 30, 2008

	<u>General</u>	<u>QZAB Capital Projects</u>	<u>Sinking Fund</u>
Revenues:			
Local sources	\$ 2,231,590	\$ 4,938	\$ 807,355
State sources	4,571,643	-	-
Federal sources	250,010	-	-
Interdistrict	<u>85,917</u>	<u>-</u>	<u>-</u>
Total revenues	7,139,160	4,938	807,355
Expenditures:			
Instruction	4,646,694	-	-
Supporting services	2,149,688	-	-
Food service	-	-	-
Athletics	-	-	-
Community services	51,323	-	-
Debt service	3,500	-	-
Interdistrict	6,414	-	-
Capital outlay	-	2,406,678	-
Loan issuance costs	<u>-</u>	<u>203,012</u>	<u>-</u>
Total expenditures	<u>6,857,619</u>	<u>2,609,690</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	281,541	(2,604,752)	807,355
Other financing sources (uses):			
QZAB loan proceeds	-	4,429,000	-
Operating transfers in	-	-	-
Operating transfers out	<u>(148,806)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>(148,806)</u>	<u>4,429,000</u>	<u>-</u>
Net change in fund balances	132,735	1,824,248	807,355
Fund balances, July 1	<u>720,054</u>	<u>-</u>	<u>-</u>
Fund balances, June 30	<u>\$ 852,789</u>	<u>\$ 1,824,248</u>	<u>\$ 807,355</u>

See Notes to Financial Statements

Other Nonmajor Governmental		
<u>Fund</u>		<u>Total</u>
\$ 114,781	\$	3,158,664
24,782		4,596,425
213,503		463,513
<u>-</u>		<u>85,917</u>
353,066		8,304,519
-		4,646,694
-		2,149,688
322,379		322,379
173,642		173,642
-		51,323
-		3,500
-		6,414
-		2,406,678
<u>-</u>		<u>203,012</u>
<u>496,021</u>		<u>9,963,330</u>
(142,955)		(1,658,811)
-		4,429,000
148,806		148,806
<u>-</u>		<u>(148,806)</u>
<u>148,806</u>		<u>4,429,000</u>
5,851		2,770,189
<u>9,374</u>		<u>729,428</u>
<u>\$ 15,225</u>	<u>\$</u>	<u>3,499,617</u>



WHITE PIGEON COMMUNITY SCHOOLS  
FIDUCIARY FUND  
STATEMENT OF FIDUCIARY NET ASSETS  
JUNE 30, 2008

Student  
Activities  
Agency Fund

ASSETS

Cash and cash equivalents	\$ <u>60,908</u>
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LIABILITIES

Due to student groups	\$ <u>60,908</u>
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See Notes to Financial Statements

WHITE PIGEON COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of White Pigeon Community Schools conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the School District:

**Reporting Entity**

The School District is governed by an elected seven-member Board of Education. The accompanying financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. These criteria include significant operational financial relationships that determine which of the governmental organizations are a part of the School Districts' reporting entity, and which organizations are legally separate, component units of the school district. Based on the application of the criteria, the district does not contain any component units.

**District-Wide and Fund Financial Statements**

The district-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All the district's government wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

WHITE PIGEON COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**District-Wide Statements** - The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include (1) charges to customer or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes and unrestricted State aid.

**Fund-based Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, unrestricted State aid, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

WHITE PIGEON COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fiduciary fund statements also are reported using the economic resources measurement focus and the accrual basis of accounting.

The school district reports the following major governmental funds:

The General Fund is the school district's primary operating fund. It accounts for all financial resources of the district, except those required to be accounted for in another fund.

The Capital Projects Fund is used to record bond proceeds or other revenue and the disbursement of funds specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The fund is retained until the purpose for which the fund was created has been accomplished.

The Sinking Fund is used to record tax, interest and other revenue for payments of principle, interest and other expenditures on the bond issues.

Additionally, the government reports the following fund types:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

The School Service Funds are Special Revenue Funds that segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. The School District maintains full control of these funds. The School Service Funds maintained by the School District are the Athletic Fund and Food Services Fund.

Fiduciary Funds are used to account for assets held by the School District in a trustee capacity or as an agent. Fiduciary Fund net assets and results of operations are not included in the government-wide statements. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Assets, Liabilities, and Net Assets or Equity**

**Deposits and Investments** - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.



WHITE PIGEON COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Property tax and other trade receivables are shown net of an allowance for uncollectible amounts. Property taxes are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. Taxes are considered delinquent on March 1 of the following year. At this time, penalties and interest are assessed and the total obligation is added to the county tax rolls.

The State of Michigan utilized a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The state portion of the foundation is provided from the state's School Aid Fund and is recognized as revenue in accordance with state law and accounting principles generally accepted in the United States of America.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Certain categorical funds require an accounting to the state of the expenditures incurred. For categorical funds meeting this requirement, funds received, which are not expended by the close of the fiscal year are recorded as deferred revenue. Other categorical funding is recognized when the appropriation is received.

**Inventories and Prepaid Items** - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

WHITE PIGEON COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Capital Assets** - Capital assets, which include land, buildings, equipment, and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extended asset life are not capitalized. The school district does not have infrastructure type assets.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Buildings and additions	20-50 years
Buses and other vehicles	5-10 years
Furniture and other equipment	5-10 years

**Compensated Absences** - The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

**Long-Term Obligations** - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

WHITE PIGEON COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative Data/Reclassifications** - Comparative data is not included in the district's financial statements.

**Use of Estimates** - The preparation of the basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements. Actual results could differ from those estimates.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the general and special revenue funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the district to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits districts to amend its budgets during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

**Excess of Expenditures Over Appropriations in Budgeted Funds** - The School district did not have significant expenditure budget variances.

WHITE PIGEON COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 3 - CASH AND CASH EQUIVALENTS**

The School District's cash and cash equivalents at June 30, 2008, are composed of the following:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Deposits	<u>\$ 4,670,685</u>	<u>\$ 60,908</u>	<u>\$ 4,731,593</u>

Deposits consist of checking, savings, and bank municipal investment funds. The above deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared, or of deposits in transit) at \$4,889,794. Of that amount, \$284,760 was covered by federal depository insurance coverage and \$-0- was uninsured. The balance of \$4,605,034 was invested in bank municipal investment funds which are not categorized by risk.

The School District believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. The School District evaluates each financial institution it deposits School District funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**NOTE 4 - DEFERRED REVENUE**

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue include unearned grant and categorical aid payments received prior to meeting all eligibility requirements in the amount of \$18,021.

WHITE PIGEON COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 5 - CAPITAL ASSETS**

Capital asset activity of the School District's governmental activities was as follows:

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008
Assets not being depreciated - Land	\$ 81,600	\$ -	\$ -	\$ 81,600
Capital assets being depreciated:				
Buildings and building improvements	3,658,970	-	-	3,658,970
Buses and other vehicles	838,932	1,500	-	840,432
Furniture and equipment	770,881	80,878	-	851,679
Construction in progress	<u>-</u>	<u>1,924,248</u>	<u>-</u>	<u>1,924,248</u>
Subtotal	5,268,703	2,006,626	-	7,275,329
Accumulated depreciation:				
Buildings and building improvements	2,389,634	51,229	-	2,440,863
Buses and other vehicles	727,510	48,437	-	775,947
Furniture and equipment	<u>568,036</u>	<u>115,017</u>	<u>-</u>	<u>683,053</u>
Subtotal	<u>3,685,180</u>	<u>214,683</u>	<u>-</u>	<u>3,899,863</u>
Net capital assets being depreciated	<u>1,583,523</u>			<u>3,375,466</u>
Net capital assets	<u>\$ 1,665,123</u>			<u>\$ 3,457,066</u>

Depreciation expense was not charged to activities as the School District considers its assets to impact multiple activities and allocation is not practical.

WHITE PIGEON COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Due To/From Other Funds:		
Sinking Fund	General Fund	\$ 341
Other Governmental Funds		<u>8,056</u>
		<u>\$ 8,397</u>
Interfund Transfers:		
Transfer in:	Transfer Out:	
Other Governmental Funds	General Fund	<u>\$ 148,806</u>

**NOTE 7 - SHORT-TERM DEBT**

Short-term note payable to bank, due August 20, 2008, interest at 3.68%	<u>\$1,200,000</u>
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**NOTE 8 - LONG-TERM DEBT**

The school district issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. General obligation bonds are direct obligations and pledge the full faith and credit of the school district. Other long-term obligations include compensated absences and voluntary severance pay agreements.

Long-term obligation activity can be summarized as follows:

Governmental Activities

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds	\$ 34,066	\$ 4,429,000	\$ -	\$ 4,463,066	<u>\$ 276,626</u>
Notes	38,500	-	3,500	35,000	<u>\$ 3,500</u>
Other Obligations	<u>34,532</u>	<u>7,500</u>	<u>14,156</u>	<u>27,876</u>	<u>\$ 15,073</u>
Totals	<u>\$ 107,098</u>	<u>\$ 4,436,500</u>	<u>\$ 17,656</u>	<u>\$ 4,525,942</u>	

WHITE PIGEON COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS  
June 30, 2008

**NOTE 8 - LONG-TERM DEBT - (Continued)**

The annual requirement to service the bonds and notes outstanding to maturity, including both principal and interest, are as follows:

Year ended June 30,	Principal	Interest	Total
2009	\$ 280,126	\$ 54,652	\$ 334,778
2010	291,975	54,193	346,168
2011	288,576	47,601	336,177
2012	292,818	43,981	336,799
2013	297,071	40,301	337,372
2014-2018	1,525,500	146,955	1,672,455
2019-2023	<u>1,522,000</u>	<u>55,663</u>	<u>1,577,663</u>
	<u>\$ 4,498,066</u>	<u>\$ 443,346</u>	<u>\$ 4,941,412</u>

Governmental Activities:

General obligation bonds consist of:

\$83,117 School Improvement Bond (Durant Settlement) the annual principal and interest payments are to be paid directly by the State of Michigan	\$ 34,066
\$184,000 2008 Qualified Zone Academy Bonds Series A due in annual installments of \$17,000 to \$20,000 through May 1, 2018; interest at 1.20%	184,000
\$4,245,000 2008 Qualified Zone Academy Bonds Series B due in annual installments of \$255,000 to \$314,000 through May 1, 2023; interest at 1.20%	<u>4,245,000</u>
Total bonds payable	<u>\$ 4,463,066</u>

Notes payable consist of:

Note payable to Intermediate School District, annual payments of \$3,500 through June 2018, no stated interest rate, unsecured	<u>\$ 35,000</u>
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Other governmental activity long-term obligations include:

Employee - compensated absences	\$ 12,803
Accumulated severance pay payable in 2009	<u>15,073</u>
Total other obligations	<u>\$ 27,876</u>

WHITE PIGEON COMMUNITY SCHOOLS

NOTES TO FINANCIAL STATEMENTS

June 30, 2008

**NOTE 9 - RISK MANAGEMENT**

The School District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The School District has purchased commercial insurance for property loss, torts, errors and omissions, and medical claims for certain employee groups. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**NOTE 10- DEFINED BENEFIT PENSION PLAN AND POST RETIREMENT BENEFITS**

**Plan Description** - The School District participates in the Michigan Public School Employees' Retirement System (MPSERS), a statewide, cost-sharing, multiple-employer defined benefit public employee retirement system governed by the State of Michigan that covers substantially all employees of the District. The system provides retirement, survivor and disability benefits to plan members and their beneficiaries. The Michigan Public School Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the system at 7150 Harris Drive, P.O. Box 30673, Lansing, MI 48909-8103.

**Funding Policy** - Employer contributions to the system result from the implementing effect of the School Finance Reform Act. Under these procedures, each school district is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis.

The pension benefit rate totals 17.74 percent for the period July 1, 2007 through September 30, 2007 and 16.72 percent for the period October 1, 2007 through June 30, 2008 of the covered payroll to the plan. Basic plan members make no contributions, but Member Investment Plan members contribute at rates ranging from 3 percent to 4.3 percent of gross wages. The District's contributions to the MPSERS plan for the years ended June 30, 2008, 2007, and 2006 were \$632,473, \$669,346, and \$647,329.

**Post Employment Benefits** - Under the MPSERS Act, all retirees participating in the MPSERS Pension Plan have the option of continuing health, dental, and vision coverage. Retirees having these coverages contribute an amount equivalent to the monthly cost for Part B Medicare and 10 percent of the monthly premium amount for the health, dental, and vision coverages. Required contributions for post employment health care benefits are included as part of the District's total contribution to the MPSERS plan discussed above.



**REQUIRED SUPPLEMENTAL INFORMATION**

WHITE PIGEON COMMUNITY SCHOOLS

REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND  
YEAR ENDED JUNE 30, 2008

	Original Budget	Final Budget	Actual	Over (under) Final Budget
Revenues:				
Local sources	\$ 2,254,322	\$ 2,240,025	\$ 2,231,590	\$ (8,435)
State sources	4,241,959	4,581,440	4,571,643	(9,797)
Federal sources	239,727	256,157	250,010	(6,147)
Interdistrict	<u>85,776</u>	<u>90,385</u>	<u>85,917</u>	<u>(4,468)</u>
Total revenue	6,821,784	7,168,007	7,139,160	(28,847)
Expenditures:				
Instruction:				
Basic programs	3,629,702	3,800,462	3,724,528	(75,934)
Added needs	949,579	938,308	922,166	(16,142)
Support services:				
Pupil	132,693	131,392	130,069	(1,323)
Instructional staff	133,849	113,529	103,639	(9,890)
General administration	278,003	244,426	239,093	(5,333)
School administration	369,330	372,987	369,969	(3,018)
Business services	196,165	172,050	181,303	9,253
Operations and maintenance	687,562	660,483	636,659	(23,824)
Transportation	470,955	430,292	400,806	(29,486)
Other services	70,927	86,372	88,150	1,778
Community services	62,862	69,417	51,323	(18,094)
Debt service	3,500	3,500	3,500	-
Interdistrict	<u>7,527</u>	<u>6,021</u>	<u>6,414</u>	<u>393</u>
Total expenditures	<u>6,992,654</u>	<u>7,029,239</u>	<u>6,857,619</u>	<u>(171,620)</u>
Excess (deficiency) of revenues over expenditures	(170,870)	138,768	281,541	142,773
Other financing sources (uses):				
Operating transfers in	11,039	23,378	-	(23,378)
Operating transfers out	<u>(141,348)</u>	<u>(83,985)</u>	<u>(148,806)</u>	<u>64,821</u>
Total other financing sources (uses)	<u>(130,309)</u>	<u>(60,607)</u>	<u>(148,806)</u>	<u>88,199</u>
Net change in fund balances	(301,179)	78,161	132,735	54,574
Fund balance, July 1	<u>720,054</u>	<u>720,054</u>	<u>720,054</u>	<u>-</u>
Fund balance, June 30	<u>\$ 418,875</u>	<u>\$ 798,215</u>	<u>\$ 852,789</u>	<u>\$ 54,574</u>

## OTHER SUPPLEMENTAL INFORMATION

WHITE PIGEON COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION

GENERAL FUND

STATEMENT OF REVENUES

YEAR ENDED JUNE 30, 2008

REVENUES

Revenues from local sources	
Current property taxes	\$ 2,080,567
Interest on investments	36,951
Tuition and fees	28,180
Transportation charges	33,573
Miscellaneous revenues	<u>52,319</u>
Total revenues from local sources	2,231,590
Revenues from state sources	
Foundation	4,002,642
Early childhood education	110,052
At Risk	194,852
Special education	212,036
Durant Settlement	8,312
Motorcycle safety	40,196
Bus driver training	390
Middle School Math/Science	<u>3,163</u>
Total revenues from state sources	4,571,643
Revenues from federal sources	
Title I	183,142
Title IIA Improving Teacher Quality	41,842
Title V Innovative Programs	17,117
Technology Literacy	1,818
Drug-Free Schools	3,343
Targeted Case Management	<u>2,748</u>
Total revenues from federal sources	250,010
Revenues from other districts	
Transportation	3,062
CTE program	75,818
Miscellaneous	<u>7,037</u>
Total revenues from other districts	<u>85,917</u>
Total revenues	<u>\$ 7,139,160</u>

WHITE PIGEON COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
STATEMENT OF OPERATING EXPENDITURES  
YEAR ENDED JUNE 30, 2008

INSTRUCTION

Basic Programs

Elementary	
Salaries	\$ 1,103,517
Employee benefits	598,647
Purchased services	21,642
Supplies and materials	<u>82,716</u>
Total elementary instruction expenditures	1,806,522

Middle School

Salaries	362,136
Employee benefits	224,796
Purchased services	10,212
Supplies and materials	4,077
Other	<u>17</u>
Total middle school instruction expenditures	601,238

High School

Salaries	728,332
Employee benefits	399,198
Purchased services	17,857
Supplies and materials	29,966
Capital outlay	36,607
Other	<u>559</u>
Total high school instruction expenditures	1,212,519

Pre-school

Salaries	57,911
Employee benefits	28,898
Purchased services	1,778
Supplies and materials	<u>15,662</u>
Total pre-school instructional expenditures	<u>104,249</u>

Total basic programs	3,724,528
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WHITE PIGEON COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
STATEMENT OF OPERATING EXPENDITURES - Continued  
YEAR ENDED JUNE 30, 2008

INSTRUCTION - Continued

Added Needs

Special education

Salaries	264,689
Employee benefits	116,918
Purchased services	3,444
Supplies and materials	<u>10</u>

Total special education instruction expenditures	385,061
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Compensatory education

Salaries	114,565
Employee benefits	43,984
Supplies and materials	12,860
Other	<u>4,332</u>

Total compensatory education instruction expenditures	175,741
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At Risk education

Salaries	92,216
Employee benefits	64,861
Purchased services	1,525
Supplies and materials	<u>3,500</u>

Total at risk education instruction expenditures	162,102
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CTE programs

Salaries	48,881
Employee benefits	26,076
Purchased services	<u>124,305</u>

Total other programs education instruction expenditures	<u>199,262</u>
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Total added needs	<u>922,166</u>
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Total instruction expenditures	4,646,694
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WHITE PIGEON COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND

STATEMENT OF OPERATING EXPENDITURES - Continued  
YEAR ENDED JUNE 30, 2008

SUPPORTING SERVICES

Pupil Services

Guidance services

Salaries	67,576
Employee benefits	38,340
Supplies and materials	<u>162</u>

Total guidance services 106,078

Student supervision services

Salaries	20,864
Employee benefits	3,127
Purchased services	<u>-</u>

Total student supervision services 23,991

Total pupil services 130,069

Instructional Staff Services

Library services

Salaries	28,312
Employee benefits	6,991
Purchased services	450
Supplies and materials	<u>2,229</u>

Total library expenditures 37,982

Improvement of Instruction Services

Salaries	5,192
Employee benefits	1,274
Purchased services	41,422
Supplies and materials	16,133
Other	<u>1,636</u>

Total improvement of instruction services 65,657

Total instructional staff services 103,639

General Administrative Services

Board of education

Salaries	4,530
Purchased services	35,094
Supplies and materials	4,025
Other	<u>3,154</u>

Total board of education expenditures 46,803

WHITE PIGEON COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
STATEMENT OF OPERATING EXPENDITURES - Continued  
YEAR ENDED JUNE 30, 2008

SUPPORTING SERVICES - Continued

Executive administration	
Salaries	111,063
Employee benefits	54,603
Purchased services	25,067
Supplies	612
Other	<u>945</u>
Total executive administration expenditures	<u>192,290</u>
Total general administrative services	239,093
School Administrative Services	
Office of the Principal	
Salaries	174,190
Employee benefits	95,760
Purchased services	96,269
Supplies and material	714
Other	<u>955</u>
Total office of the principal expenditures	367,888
Other School Administration	
Supplies and materials	<u>2,081</u>
Total other school administration	<u>2,081</u>
Total school administrative services	369,969
Business Services	
Salaries	58,617
Employee benefits	35,829
Purchased services	11,027
Supplies and materials	4,290
Other	<u>71,540</u>
Total business services expenditures	181,303



WHITE PIGEON COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
STATEMENT OF OPERATING EXPENDITURES - Continued  
YEAR ENDED JUNE 30, 2008

SUPPORTING SERVICES - Continued

Operation and Maintenance

Operation and maintenance of plant

Salaries	169,600
Employee benefits	116,613
Purchased services	156,891
Supplies and materials	171,004
Capital outlay	22,496
Other	<u>55</u>

Total operation and maintenance expenditures	636,659
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Pupil Transportation

Pupil transportation services

Salaries	203,934
Employee benefits	87,787
Purchased services	8,273
Supplies and materials	88,431
Capital outlay	11,450
Other	<u>931</u>

Total pupil transportation services	400,806
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Other Services

Staff/personnel services

Purchased services	19,197
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Technology services

Purchased services	55,709
Supplies and materials	<u>13,244</u>

Total technology services	<u>68,953</u>
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Total other services	<u>88,150</u>
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Total supporting services expenditures	2,149,688
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WHITE PIGEON COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
GENERAL FUND  
STATEMENT OF OPERATING EXPENDITURES - Continued  
YEAR ENDED JUNE 30, 2008

COMMUNITY SERVICES

Community activities

Supplies and materials 1,827

Motorcycle Safety Program

Salaries 27,458

Benefits 6,810

Purchased services 4,916

Supplies and materials 2,064

Capital outlay 6,622

Other 1,626

Total Motorcycle Safety Program 49,496

Total community services expenses 51,323

DEBT SERVICE

Principal repayment 3,500

Interest and fiscal charges -

Total debt service 3,500

OTHER DISTRICTS

Other 6,414

Total operating expenditures \$ 6,857,619

WHITE PIGEON COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2008

	<u>Special Revenue Funds</u>		
	<u>Food Services</u>	<u>Athletics</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 497	\$ 383	\$ 880
Accounts receivable	7,079	-	7,079
Due from other funds	8,041	15	8,056
Inventory	<u>4,284</u>	<u>-</u>	<u>4,284</u>
Total assets	<u>\$ 19,901</u>	<u>\$ 398</u>	<u>\$ 20,299</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 128	\$ 398	\$ 526
Accrued payroll	820	-	820
Accrued benefits	200	-	200
Due to other funds	-	-	-
Other liabilities	<u>3,528</u>	<u>-</u>	<u>3,528</u>
Total liabilities	4,676	398	5,074
Fund balances:			
Reserved - inventory	4,284	-	4,284
Unreserved:			
Undesignated	<u>10,941</u>	<u>-</u>	<u>10,941</u>
Total fund balances	<u>15,225</u>	<u>-</u>	<u>15,225</u>
Total liabilities and fund balances	<u>\$ 19,901</u>	<u>\$ 398</u>	<u>\$ 20,299</u>

WHITE PIGEON COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION  
COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2008

	<u>Special Revenue Funds</u>		
	<u>Food Services</u>	<u>Athletics</u>	<u>Total</u>
Revenues:			
Local sources	\$ 87,530	\$ 24,836	\$ 112,366
State sources	24,782	-	24,782
Federal sources	213,503	-	213,503
Other sources	<u>2,415</u>	<u>-</u>	<u>2,415</u>
Total revenues	328,230	24,836	353,066
Expenditures:			
Food services	322,379	-	322,379
Athletics	<u>-</u>	<u>173,642</u>	<u>173,642</u>
Total expenditures	<u>322,379</u>	<u>173,642</u>	<u>496,021</u>
Excess (deficiency) of revenues over expenditures	5,851	(148,806)	(142,955)
Other financing sources:			
Operating transfers in	<u>-</u>	<u>148,806</u>	<u>148,806</u>
Net change in fund balances	5,851	-	5,851
Fund balances, July 1	<u>9,374</u>	<u>-</u>	<u>9,374</u>
Fund balances, June 30	<u>\$ 15,225</u>	<u>\$ -</u>	<u>\$ 15,225</u>

WHITE PIGEON COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION  
FOOD SERVICE FUND

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Local sources	\$ 94,822	\$ 87,530	\$ (7,292)
State sources	24,652	24,782	130
Federal sources	203,782	213,503	9,721
Other sources	<u>12,725</u>	<u>2,415</u>	<u>(10,310)</u>
Total revenues	335,981	328,230	(7,751)
Expenditures:			
Salaries	99,414	101,274	1,860
Employee benefits	42,273	41,727	(546)
Purchased services	8,961	6,975	(1,986)
Supplies, materials and other expenditures	150,130	160,578	10,448
Capital outlay	<u>11,825</u>	<u>11,825</u>	<u>-</u>
Total expenditures	<u>312,603</u>	<u>322,379</u>	<u>9,776</u>
Excess (deficiency) of revenues over expenditures	23,378	5,851	(17,527)
Other financing sources (uses)			
Operating transfers out	<u>(23,378)</u>	<u>-</u>	<u>(23,378)</u>
Net change in fund balances	-	5,851	5,851
Fund balance, July 1	<u>9,374</u>	<u>9,374</u>	<u>-</u>
Fund balance, June 30	<u>\$ 9,374</u>	<u>\$ 15,225</u>	<u>\$ 5,851</u>

WHITE PIGEON COMMUNITY SCHOOLS

OTHER SUPPLEMENTAL INFORMATION

ATHLETIC FUND

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Over (Under) Budget</u>
Revenues:			
Local sources	\$ 86,375	\$ 24,836	\$ (61,539)
Expenditures:			
Salaries	47,981	49,118	1,137
Employee benefits	11,693	11,958	265
Purchased services	96,090	80,372	(15,718)
Supplies, materials and other expenditures	14,596	32,194	17,598
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>170,360</u>	<u>173,642</u>	<u>3,282</u>
Excess (deficiency) of revenues over expenditures	(83,985)	(148,806)	(64,821)
Other financing sources:			
Operating transfers in	<u>83,985</u>	<u>148,806</u>	<u>64,821</u>
Net change in fund balances	-	-	-
Fund balance, July 1	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

WHITE PIGEON COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
STUDENT ACTIVITIES AGENCY FUND  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
YEAR ENDED JUNE 30, 2008

	Balances <u>June 30, 2007</u>	<u>Additions</u>	<u>Deductions</u>	Balances <u>June 30, 2008</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ <u>59,061</u>	\$ <u>199,891</u>	\$ <u>198,044</u>	\$ <u>60,908</u>
<u>LIABILITIES</u>				
Due to student groups	\$ <u>59,061</u>	\$ <u>199,891</u>	\$ <u>198,044</u>	\$ <u>60,908</u>

WHITE PIGEON COMMUNITY SCHOOLS  
OTHER SUPPLEMENTAL INFORMATION  
STATEMENT OF BONDED INDEBTEDNESS  
JUNE 30, 2008

1998 SCHOOL IMPROVEMENT BONDS	\$ 83,117
Less:	
Bonds paid in prior years	49,051
Bonds due and paid May 15, 2008	<u>-</u>
BALANCE OUTSTANDING - June 30, 2008	<u><u>\$ 34,066</u></u>

Balance payable as follows:

<u>Year</u>	<u>Rate</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2009	4.76	\$ 1,211	\$ 4,626	\$ 5,837
2010	4.76	4,034	13,475	17,509
2011	4.76	760	5,076	5,836
2012	4.76	518	5,318	5,836
2013	4.76	<u>265</u>	<u>5,571</u>	<u>5,836</u>
Total		<u>\$ 6,788</u>	<u>\$ 34,066</u>	<u>\$ 40,854</u>

Interest and principal on the bonds of the above issue is payable annually on May 15. As part of the Durant Settlement the annual principal and interest payments are to be made directly by the State of Michigan.





Norman & Paulsen, P.C.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Education  
White Pigeon Community Schools

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of White Pigeon Community Schools (the "School"), as of and for the year ended June 30, 2008, which collectively comprise the School's basic financial statements and have issued our report thereon dated October 29, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting - In planning and performing our audit, we considered the School's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting. These deficiencies are referenced as 2007-1 and 2007-2.

Donald L. Paulsen, CPA

Patrick J. Monahan, CPA

Brian S. A. Gosling, CPA

Michael R. Wilson, CPA

Rick L. Strawser, CPA

Jerrold T. Norman (1941-1982)

Finding 2007-1: Management is unable to produce financial statements in accordance with accounting principles generally accepted in the United States of America.

Response: Due primarily to the related negative impact on cash funds available to the School, the hiring of accounting personnel capable of writing the School's financial statements and footnotes in accordance with accounting principles generally accepted in the United States of America is cost prohibitive.

The School's response to the findings identified in our audit is described above. We did not audit the School's response and, accordingly, we express no opinion on it.

Finding 2007-2: Lack of segregation of duties exists in the accounting function due to the limited number of accounting personnel.

Response: As noted above, due to decreased cash flows of the School, management is unable to employ the number of accounting personnel to attain an adequate separation of duties between management functions, accounting functions and custody of the School's assets. To the extent possible, duties are allocated between accounting personnel to mitigate risk of material misappropriation of assets. In addition, the School Board assumes a higher level of oversight responsibilities to mitigate risks related to this lack of segregation of duties.

The School's response to the findings identified in our audit is described above. We did not audit the School's response and, accordingly, we express no opinion on it.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the School's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider Finding 2007-1 and Finding 2007-2 to be a material weakness.

Compliance and Other Matters - As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. These instances are referenced as 2007-A, 2007-B, 2008-A, and 2008-B.



Prior Year Comments - Status

**Finding 2007-A: National School Lunch Program CFDA#10.555**

The National School Lunch Program requires that all students applying for free or reduced lunch must complete an application, and that application must be reviewed by a responsible school official to determine whether or not the child is eligible to receive free or reduced price lunches. Each year the eligibility guidelines are set for the amount of income a family may have in order to take advantage of the program. It is the School's responsibility to use these guidelines in determining the eligibility of the student.

While testing the compliance of the School's Free/Reduced applications, it was determined that the eligibility guidelines for the 05-06 fiscal year were used in determining the eligibility of students for the 06-07 fiscal year. As a result, some students who should have been eligible for free lunch were charged reduced rates, and some students who should have been eligible for reduced price lunches were denied. The result is that the school overcharged students, and did not receive as much revenue from the National School Lunch Program as they should have been eligible for. We are unable to determine the number of meals that may have been involved with this error, and are therefore unable to determine the amount of costs involved.

**Response:**

The School has purchased a Point of Sale program and equipment to update their food service program. The Point of Sale program will be updated annually with the most up to date information from the National School Lunch Program, including the eligibility scale. The School will utilize this program in determining the eligibility for free and reduced lunches. They believe that this will ensure that they are using the most current information.

The School's response to the findings identified in our audit is described above. We did not audit the School's response and, accordingly, we express no opinion on it.

**Action:**

For the 07-08 fiscal year the school used the correct eligibility guidelines.

## Finding 2007-B State of Michigan Retirement

The State of Michigan sets the guidelines for who is required to participate in the State of Michigan Retirement System, and what percentage of retirement eligible wages must be paid into the State Retirement System. In the course of our audit, we discovered that some of the wages in the payroll system had been coded incorrectly, as not subject to retirement when they actually were. As a result, the retirement eligible wages as reported to the State of Michigan were understated, and payments made to the system were understated by \$483.

The school system will develop a reconciliation worksheet which will reconcile total gross wages for each pay period to retirement reportable wages for each pay period. This reconciliation will be reviewed by a responsible individual from the School system to ensure that all wages are reported correctly.

The School's response to the findings identified in our audit is described above. We did not audit the School's response and, accordingly, we express no opinion on it.

### Action:

The School correctly reported retirement eligible wages during the 07-08 fiscal year.

### Current Year Comments

## Finding 2008-A Nutrition Cluster

Prototype materials, including Free and Reduced Price School Meals Family Application (Form SM-4458-C) and a letter to parents, are available on the CNAP system. Each district is required to print and photocopy both sides of the form and letter and then provide one to each household at the beginning of the school year. A district may develop its own application and letter and have it approved for use by the MDE. For the 07-08 fiscal year the district used a scannable application and developed their own letter but failed to get MDE approval.

### Response:

The School will follow MDE guidelines and obtain approval for the application and the letter to parents.

The School's response to the finding identified in our audit is described above. We did not audit the School's response and, accordingly, we express no opinion on it.

## Finding 2008-B Nutrition Cluster

During the testing of applications for free/reduced meals, we noted several instances of applications processed for free meals which, based on the income level, should have been processed as reduced, and applications processed for reduced which should have been free. We also noted applications which were incomplete and applications which had been changed or corrected without attaching an explanation. We were unable to determine the number of meals that may have been involved with these errors, and are therefore unable to determine the amount of costs involved.

### Response:

A responsible school official will review the application process and determine that free/reduced meal status is computed correctly and that any corrections or changes to applications include an approved explanation.

The School's response to the finding identified in our audit is described above. We did not audit the School's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within the organization, the School Board, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

*Norman L. Paulsen, P.C.*

October 29, 2008

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Norman & Paulsen, P.C.

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## AUDIT-RELATED COMMUNICATIONS

To the Board of Education  
White Pigeon Community Schools

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of White Pigeon Community Schools (the "School District") for the year ended June 30, 2008, and have issued our report thereon dated October 29, 2008. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated April 23, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

### Compliance

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the School District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Donald L. Paulsen, CPA

Patrick J. Monahan, CPA

Bruce S. A. Gosling, CPA

Michael R. Wilson, CPA

Rick L. Strawser, CPA

Jerrel T. Norman (1941-1982)

## Internal Controls

As part of our audit, we considered the internal control of the School District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the School District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the School District's financial statements that is more than inconsequential will not be prevented or detected by the School District's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

We consider the following deficiencies to be a significant deficiency and a *material weakness* in internal controls:

Finding 2007-1: Management is unable to produce financial statements in accordance with accounting principles generally accepted in the United States of America.

Response: Due primarily to the related negative impact on cash funds available to the School, the hiring of accounting personnel capable of writing the School's financial statements and footnotes in accordance with accounting principles generally accepted in the United States of America is cost prohibitive.

The School's response to the findings identified in our audit is described above. We did not audit the School's response and, accordingly, we express no opinion on it.

Finding 2007-2: Lack of segregation of duties exists in the accounting function due to the limited number of accounting personnel.

**Response:** As noted above, due to decreased cash flows of the School, management is unable to employ the number of accounting personnel to attain an adequate separation of duties between management functions, accounting functions and custody of the School's assets. To the extent possible, duties are allocated between accounting personnel to mitigate risk of material misappropriation of assets. In addition, the School Board assumes a higher level of oversight responsibilities to mitigate risks related to this lack of segregation of duties.

The School's response to the findings identified in our audit is described above. We did not audit the School's response and, accordingly, we express no opinion on it.

#### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on June 12, 2008.

#### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by White Pigeon Community Schools are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by White Pigeon Community Schools during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statement in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

##### *Depreciation*

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures may be particularly sensitive because of their significance to financial statement users. We did not identify any sensitive disclosures.



### No Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### No Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 29, 2008.

### Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as White Pigeon Community Schools' auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the information and use of the Board of Education and management of White Pigeon Community Schools and is not intended to be and should not be used by anyone other than these specified parties;

We are pleased to serve as the School District's auditors. If there are any questions about the audited financial statements or the contents of this letter, we would welcome the opportunity to discuss them at your convenience.

Sincerely,

*Norman J. Paulsen, P.C.*

October 29, 2008